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SIPDIS

SENSITIVE  
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COMMERCE FOR DAS DYCK; AID FOR DAA MEFFORD

E.O. 12958: N/A

TAGS: [PREL](#) [PGOV](#) [PTER](#) [PHUM](#) [ENRG](#) [ECON](#) [GR](#)

SUBJECT: SCENESETTER FOR U.S.-GREEK ECCC MEETING MARCH 12

REF: A) THESSALONIKI 19 B) THESSALONIKI 16

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¶1. SUMMARY: U.S. Embassy Athens warmly welcomes DAS Bryza, USDOC DAS Dyck and AID DAA Mefford's March 12 visit to participate in the 2007 meeting of the U.S.-Greek Economic and Commercial Cooperation Commission (ECCC). The visit offers an opportunity to strengthen our "strategic partnership," not only on economic but also on political issues. With GOG officials shifting focus to the upcoming Greek general elections, the ECCC itself and side meetings will allow us to advance our economic interests as well as underscore the importance of continued progress on energy security, counter-terrorism, and stability both in the Balkans and in the region. On most of these issues, the Karamanlis government has demonstrated its (quiet) willingness to work with us. END SUMMARY.

POLITICAL CONTEXT: WORKING WITH THE KARAMANLIS GOVERNMENT

¶2. Politicians are gearing up for elections this year, with analysts predicting they will be held either in the late spring or early fall. Karamanlis' center-right New Democracy government holds a small but steady lead in the polls, asking voters to judge its "reform" agenda. This agenda has affected not only domestic issues (like the education system), but also the GOG's approach to foreign affairs. As a result, the Karamanlis government has been quietly willing to work with us -- even if it still prefers to avoid drawing public attention to it\*Q

¶3. That has been true in Afghanistan, where the GOG is providing an engineering and medical unit (recently pledging increased financial support). While debilitating caveats on movement outside Kabul remain, we continue to press the GOG to lift them. It has also been true in Iraq, where Greece has provided funding for the NATO training mission as well as equipment and supplies. Greece's 2-year tenure on the UNSC provided a useful platform to leverage Greek support for Lebanon as well as the P5 efforts with Iran. In response to recent Russian threats against the Czech Republic and Poland, the MFA spokesman made a statement criticizing Russian rhetoric that went far beyond those of other EU capitals.

¶4. Growing Greek investment in the Balkans means that rule of law, economic stability, trafficking in persons and democratization in the region are now on the GOG's radar screen in a serious way, and the Karamanlis government has put its money where its mouth is. On Kosovo, while the GOG carries some Serbian interests in EU deliberations, FM

Bakoyiannis has stressed (both to us and to her staff) that Greece will not veer from EU policy on the Ahtisaari plan. Macedonia's name remains an irritant, although GOG officials assure us that they hold to the 1995 "Interim" agreement that Greece will not block the country's entry into NATO/EU structures as "FYROM." And, as was evident during the recent visit by Cypriot President Papadopoulos, there are more differences in perspective between Athens and Nicosia than there have been for some time.

¶15. Following the January 12 RPG attack on the Embassy, FM Bakoyiannis and MPO Polydoras demonstrated that the GOG recognized it as an attack not only on the U.S., but also on Greece. Cooperation with GOG authorities has been collegial and well-resourced, although endemic press leaks have not helped the investigation and progress is slow. The Karamanlis government also recognizes that the RPG attack makes achieving one of its own goals -- participation in the Visa Waiver Program -- harder to achieve.

#### KEY ISSUES FOR THE ECONOMIC AND COMMERCIAL COOPERATION COMMISSION

¶16. Greece's eagerness to hold 2007 meeting of the U.S.-Greek Economic and Commercial Cooperation Commission (ECCC) is a direct expression of Foreign Minister Bakoyiannis' commitment to enhanced U.S.-Greek bilateral relations. Our goal: to intensify the economic portion of our "strategic partnership." In many key areas of interest to the U.S., Greece has the ability to punch above its weight -- energy, the fight against money laundering, promoting stability in the Balkans. While we already cooperate with Greece on these issues, there is potential to do much more. Equally importantly, the GOG is looking to the U.S. for ideas on how it can use its new muscle effectively. Finally, Greece's interest in attracting U.S. investment gives us a lever to push for greater transparency and openness in the Greek economy.

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¶17. The ECCC will focus on four issues. The first is energy. Greece is expanding its role as a transit country for both oil and gas. In oil, it is finalizing the intergovernmental agreement with Russia and Bulgaria on the Burgas-Alexandroupolis oil pipeline -- potentially the second major Bosphorus bypass pipeline after Baku-Ceyhan. In gas, Greece is a key player for TGI, the first pipeline that could bring Caspian gas supplies directly to Europe, increasing European energy security. As these projects go forward, we want to ensure a level playing field for U.S. companies. The ECCC will be an opportunity to keep the GOG committed to reserving TGI capacity for Caspian gas, and to urge the GOG to facilitate participation of U.S. firms in Burgas-Alexandroupolis.

¶18. The second key issue is the fight against money laundering and terror finance. Strong Greek performance is essential, particularly as Greek banks have increased their investment in the Balkans. We understand that a recent Financial Action Task Force review of Greece revealed that the Greek financial intelligence unit (FIU) is simply not up to the task of tracking illegal financial flows. The GOG is supposed to receive the first draft of the FATF report (NOTE: which the U.S. is supposedly not privy to) the week of March ¶15. This should mean that the GOG is aware of the seriousness of this issue to the international community.

¶19. The third key issue is the impediments U.S. firms face doing business in Greece. The GOG currently requires far more paperwork from U.S. bidders on government tenders than do other EU member states. As a solution, we should recommend that the GOG identify and adopt "best practices" used by other EU countries which do not disadvantage U.S. companies. U.S. pharmaceutical companies face a separate obstacle. The GOG frequently pays its bills late, and

currently owes these firms millions of dollars. During the ECCC, we look for a reasonable proposal from the GOG to address this problem.

¶10. The fourth key issue is IPR. Greek performance has improved greatly over the past year. The GOG set up an effective public-private IPR working group and has also conducted judicial training. However, the Greek judiciary remains loath to impose any sentences on IPR violators. We will need to underscore that we continue to expect progress on sentencing, which will require on-going GOG engagement.

#### GETTING THE NORTHERN PERSPECTIVE

¶11. In northern Greece, there is renewed interest (and sensitivity) about Muslim/Turkish minority issues. FM Bakoyiannis visited Thrace February 5-7, announcing a series of measures aimed at meeting some key Muslim demands (reftels). The measures include giving Muslims more direct control over management of charitable foundations and reducing the taxes they owe; restoring Greek citizenship to "stateless" Muslims; hiring 240 imams as civil servants; and possibly establishing a 0.5 percent Muslim quota for Greece's civil service. Thrace Muslims initially welcomed the measures, but subsequently complained about continued GOG control over the appointment of muftis, continued restrictions on the ability of Thrace groups to call themselves "Turkish," and lack of aid to Thrace farmers.

¶12. ConGen Thess has been engaged in efforts to help Thrace farmers find a replacement crop for tobacco, and understands that EB supports post's request for a Business Facilitation (BCIF) grant to support this effort. Other issues of bilateral interest include TIP, illegal immigration, and narcotics. ConGen Thess is organizing an April 11-13 seminar on trans-border cooperation for law enforcement officials from seven countries of the region, including Greece, Macedonia, Turkey, Bulgaria, Moldova, Romania and Albania in Alexandroupoli. To help promote American investment, Ambassador will give a previously-scheduled speech on the evening of March 12 on the obstacles and opportunities faced by foreign investors in Greece.

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